



RETAIL MARKET ANALYSIS FOR CARLSBAD VILLAGE

Appendix 2: Business Development and Marketing Plan

Prepared for the City of Carlsbad's Redevelopment Office
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Preface

This report is the third of a series of four reports:

Retail Market Analysis for Downtown Carlsbad

Appendix 1: Technical Appendix

Appendix 2: Business Development and Marketing Plan

Appendix 3: Implementation Strategy

Overview

At the request of the City of Carlsbad, the Community Land Use and Economics Group conducted an analysis of downtown Carlsbad's retail condition and retail development opportunities in 2005-2006.¹

We found that, in general, the district is relatively healthy. More than 75 percent of businesses report that sales in 2006 were the same as or better than sales in 2005, for example; the vacancy rate is reasonable; and the district's businesses are diversified, offering a range of goods and services.

What is most evident, however, is that the city of Carlsbad enjoys a robust economy that most communities would envy and, with concerted and collaborative action, the Village can pursue any of a number of paths to become more economically prosperous and culturally dynamic.

Among our key findings:

- Carlsbad is rapidly growing, with the population projected to be 107,305 residents by 2010 and 120,631 by 2020. Carlsbad's new residents will strengthen the local customer base for almost all retail products and services, but particularly for community-serving products and services (like groceries, housekeeping supplies, pharmaceuticals, and floral products, for example). The new residents expected to establish households in the city from 2005-2010 alone will generate more than \$92 million in new retail demand.
- Carlsbad is more affluent than most other communities in San Diego County.
- Two-thirds of employed Carlsbad residents commute to another community to work.
- The city's homeownership is relatively high, compared with that of other communities in San Diego County.
- Psychographically, the city's residents like living in an urban environment but with a small-town atmosphere, and they enjoy physical activity,

¹ The results of our analysis are outlined in *Retail Market Analysis for Carlsbad Village*, available [online](#) from the City of Carlsbad.

travel, civic life, and shopping (including shopping for high-tech gadgets and sports equipment).

- The city enjoys very healthy retail sales, with *per capita* sales of \$22,718, approximately twice that of *per capita* sales in the county, state, and nation.
- A significant majority (70 percent) of downtown Carlsbad's 465 businesses are service-related businesses; 18 percent are retail stores; 6 percent are restaurants or hotels.
- The percentage of citywide taxable retail sales attributable to businesses in the downtown redevelopment area was 6.5 percent in 2005, up from 4.7 percent in 2000.
- We estimate that, conservatively, there are about 1,700 full-time-equivalent jobs in Carlsbad Village.
- The city is experiencing sales surpluses in every retail category except two – gasoline/motor oil, and entertainment. Its sales surpluses are particularly significant in furnishings/equipment, apparel, and automobiles, underscoring Carlsbad's strong position as a regional retail center in the northern part of the County.
- Approximately 11,300 people visit downtown Carlsbad on a typical day.
- Approximately one-third of the district's visitors are out-of-town residents.
- Almost half (42 percent) of the people who work downtown live outside the city.
- Visitors give Carlsbad Village high scores for attractiveness, cleanliness and safety, but low scores for business hours, business mix, parking, and prices for value perceived.
- People who work in Carlsbad Village do a substantial amount of their shopping for basic goods and services within the Village.
- The district has relatively strong market foothold in restaurants, personal services, and specialty retailers, all of which have the potential to shape one or more unique market niches for Carlsbad Village.

- No single nearby community is a clear magnet for Carlsbad residents' out of town shopping.

We have found that the most successful economic development strategies for older and historic downtowns are ones that:

- Build on the district's existing strengths and strategic advantages;
- Reflect both market demand *and* consumer desire; and
- Reflect the community's personality.

Our findings helped us define three major market development strategies for downtown Carlsbad, which we briefly outlined in *Retail Market Analysis for Downtown Carlsbad* and which we previewed with key program participants for feedback during a July 2006 meeting at the Carlsbad Chamber of Commerce. The three market development strategies are:

1. Strengthening downtown Carlsbad's role as a neighborhood-serving commercial center that provides basic goods and services to the people who live and work in and near the district;
2. Making downtown Carlsbad into a vibrant arts, cultural and entertainment district; and
3. Cultivating several clusters of specialty businesses in downtown Carlsbad that offer products and services unique within the community and region (and, in some instances, within an even broader market area).

This report outlines the major actions we recommend in order to help the organizations, agencies, businesses, civic groups, property owners and others active in the district's development and management successfully pursue these three market development strategies.

Retail subdistricts

For the purposes of this analysis, we have mapped out eight retail subdistricts in downtown Carlsbad. These subdistricts have no official significance: they are not designated in any planning documents, they are simply a tool for discussing the characteristics of different sections of the downtown district.

Thinking about downtown Carlsbad in terms of smaller retail subdistricts helps understand some of the differences in the marketing, business development and management needs in each of these smaller sections of the downtown area. Retail businesses, for example, usually need evening hours, but business offering professional services probably don't. This will affect their parking needs and the amount of street visibility they need, among other things. Breaking down a larger district into smaller components for the purposes of retail market planning also helps illustrate differences in property values and rental rates. Businesses in high-visibility, high-traffic areas generally command higher rents – but there are other subdistricts that offer lower rents and that might provide opportunities for newer businesses or businesses with fewer financial resources to become established.

Based on both existing use patterns and on our projections of where different types of retail businesses are likely to flourish, we have divided downtown Carlsbad into these eight subdistricts:

1. Coaster Station
2. Beach zone
3. Carlsbad Boulevard and Carlsbad Village Drive
4. Carlsbad Village Drive gateway
5. Farmers' Market
6. State Street
7. Northeast neighborhood
8. Southeast neighborhood



Coaster Station

The buildings and streets adjacent to the Coaster Station benefit from two major surges of traffic each day, during the morning and evening commutes. But the Coaster Station is relatively inactive for the rest of the day, so the businesses that cluster here will, in most cases, need to have several distribution channels and several customer groups.

With its low-scale industrial buildings stretching north along State Street and its proximity to commuters, this subdistrict is ideal for businesses offering services that can be performed while someone is away at work during the daytime, such as auto detailing (drop your car off in the morning; pick it up in the evening), tailoring, shoe repair, dry cleaning, and jewelry repair. Most of the district's professional services businesses are located in and stretching northeastward from this subdistrict, and businesses that cater to both commuters and to the district's daytime population (both workers and residents) could therefore also work well here, like florists, card shops, carry-out meals, specialty video rentals, daycare, and athletic clubs. And the landscaped drive connecting State Street to the Coaster Station creates a powerful and effective gateway from the Coaster to State Street, its restaurants, and the Carlsbad Village Theatre.

Beach zone

The retail environment between Carlsbad Boulevard and the Ocean is predominantly visitor-focused, with a casual, relaxed atmosphere and businesses offering the sorts of food, souvenirs and supplies that beach visitors typically need. This subdistrict could benefit from more effective public (e.g., directional) and private (e.g., storefront) signs - but, in terms of its overall retail performance, it works relatively well.

Carlsbad Boulevard and Carlsbad Village Drive

This intersection functions as one of the district's "100 percent" corners (as does the intersection of Carlsbad Village Drive and State Street), a key place that visitors identify with their experience of Carlsbad. It serves as a gateway into the northeastern section of the district for beach visitors, and it is vital for retail shops, restaurants and other businesses east of Carlsbad Boulevard and north and south of Carlsbad Village Drive that this intersection effectively entice visitors to explore the district.

Carlsbad Village Drive gateway

This stretch of Carlsbad Village Drive from I-5 to Carlsbad Village Drive is the first experience that many locals and visitors have of downtown Carlsbad. Many of its buildings are set back from the road and surrounded by parking, giving it a somewhat harsh, suburban feel that has been softened a bit by sensitive landscaping. We recommend that the city encourage (through regulation or incentives) zero-setback infill development as opportunities for new development become available in the future. Ideally, this subdistrict would provide a smooth visual transition from the I-5/Carlsbad Village Drive intersection to Carlsbad Boulevard, with buildings and landscaping at or approaching zero-setback. Signs, artwork and ephemera should gradually build excitement as drivers approach the beach and the heart of the district.

Farmers' Market

Carlsbad's farmers' market is deservedly popular, attracting both vendors and customers from an impressive distance. The surrounding area could capitalize on its presence by adding a small cluster of food-related businesses (possibly featuring produce from farmers' market vendors) and gardening businesses.

State Street

Both visitors and locals describe State Street in similar terms – quaint, surprising, relaxed, inviting. State Street's small-scale buildings, shaded sidewalks, restaurants and specialty businesses make it appealing to both locals and visitors. State Street has the capacity to accommodate even more restaurants and specialty shops, and this should be the priority location for new and expanding retail businesses not specifically catering to beach needs

or not interested in the edgier environment of State, Tyler and Roosevelt and other streets south of Carlsbad Village Drive. As State Street fills up, new retail businesses can, and should, wrap around onto perpendicular streets – Carlsbad Village Drive, Grand, Beech, New – to reinforce the subdistrict's entry points. Streetscape design, expanded store hours, and sharp window displays must be priorities here.

Northeast neighborhood

Most of downtown Carlsbad's professional services and health care businesses are located in the subdistrict north of Carlsbad Village Drive and east of Carlsbad Boulevard, where most new condominium and apartment development is taking place downtown. Retail businesses that cater primarily to downtown residents and workers are likely to feel most at home in this subdistrict, and a cluster of businesses along State Street north of the Coaster Station could also serve the needs of commuters.

Southeast neighborhood

Industrial and somewhat gritty, the subdistrict south of Carlsbad Village Drive and east of Carlsbad Boulevard holds great potential for incubating arts-related businesses and small industries (a few of which have already gravitated there). Its environment is slightly edgier than that of downtown Carlsbad's other subdistricts and, as such, it has the potential to be more appealing to younger shoppers and to house businesses and activities that might not fit State Street's more mainstream ambiance. Its warehouse/workshop buildings would work well for artists and small manufactures.

Three market development strategies

1. Neighborhood-serving commercial center

1.1. Overview

Downtown Carlsbad already serves as a *de facto* neighborhood-serving commercial center for district workers and nearby residents, with two-thirds of district workers reporting that they made their most recent purchases of convenience-oriented products (things like groceries, restaurant meals, hardware, and personal care items) in the downtown area. It is likely that these workers would purchase even more from downtown businesses if more products were available (and assuming these businesses are located conveniently for workers and residents and open at hours convenient for them).

As new housing units continue to be developed in and near the district, demand for neighborhood-serving goods and services within the district will grow. We estimate that, if 15 percent of the new residents expected to establish households in Carlsbad by 2015 live or adjacent to the downtown and if downtown employment remains constant, the district could likely absorb an additional \$19.2 million in gross sales of neighborhood-serving retail goods and services (roughly one-third by existing businesses).

1.2. Key objectives

- 1.2.1. Make shopping for convenience-oriented goods and services as easy as possible for district workers and residents.
- 1.2.2. Provide desirable neighborhood amenities for district residents.
- 1.2.3. Foster an “insider” environment among district workers and residents, strengthening the sense that downtown Carlsbad is their neighborhood and building loyalty to the district’s businesses.

1.3. Business and product line possibilities²

- 1.3.1. Quick service restaurants (including delis)
- 1.3.2. A mid-size supermarket, such as Whole Foods
- 1.3.3. Quality restaurants (with alcoholic beverages)
- 1.3.4. Take-out food (mid- and upscale)
- 1.3.5. Specialty/ethnic bakeries
- 1.3.6. Daycare
- 1.3.7. Drug store/medical equipment
- 1.3.8. Cosmetics
- 1.3.9. Hardware
- 1.3.10. Urban gardening supplies
- 1.3.11. Mailing and package service
- 1.3.12. Dog walking and pet sitting service
- 1.3.13. Fitness center
- 1.3.14. Magazines/newspapers
- 1.3.15. Greeting cards
- 1.3.16. Auto detailing (offering workplace pick-up and delivery)
- 1.3.17. Tailoring
- 1.3.18. Dry cleaning
- 1.3.19. Shoe repair
- 1.3.20. Jewelry repair

1.4. Marketing considerations

- 1.4.1. Consistently stress convenience (proximity, deliveries, etc.).
- 1.4.2. Create a full-featured loyalty program (frequent shopper offerings, special discounts, reserved shopping times, free deliveries, 'insider' website, advance ticket sales for ticketed events, etc.) for downtown workers and residents.
- 1.4.3. Schedule events during times when residents and workers have time to shop, and offer events throughout the year, on an ongoing basis.
 - For workers, weekday lunchtimes and immediately after work

² These suggestions include *product lines*. There are some instances in which market demand may not be sufficient to support a freestanding business that offers only one of these product lines, but there are many instances in which adding a product line to an existing business can help establish a market for the new product line while also augmenting the business's current revenues.

- For residents, weekdays immediately after work and early evening and weekend mornings and lunchtimes

1.5. Key locations

- 1.5.1. Around Coaster Station
- 1.5.2. Near new condos
- 1.5.3. Carlsbad Village Drive gateway

1.6. Key actions

- 1.6.1. Cluster service-related businesses that serve commuters and district workers near the Coaster Station, particularly on State Street northwest toward Beech Avenue and New Street.
- 1.6.2. Develop a new midsize grocery store or remodel the existing Albertson's store.
- 1.6.3. Offer early evening hours in businesses that cater to downtown workers and residents.
- 1.6.4. Create a loyalty card to reward downtown workers and residents for regularly patronize downtown businesses.
- 1.6.5. Create an 'insiders' website for downtown workers and residents, offering a listserv and providing current information on neighborhood groups, classes, real estate listings, 'yard' sales, volunteer opportunities, carpooling, business events, crime watch, and other activities of interest to those who live and work in downtown Carlsbad.
- 1.6.6. Offer deliveries within the district.
- 1.6.7. Create an ongoing series of lunchtime activities specifically for downtown workers (music, fashion shows, lessons over lunch, etc.).
- 1.6.8. Create an ongoing series of after-work activities for both downtown workers and residents (outdoor short movies, music, tai chi, etc.).
- 1.6.9. Change storefront display windows *at least* monthly.

- 1.6.10. Provide free public wifi within the district.
- 1.6.11. Map out jogging routes in/through the district and publish them on the neighborhood website.
- 1.6.12. Create a small community garden for district residents.

1.7. Benchmarks

- 1.7.1. Numbers of new residents
- 1.7.2. Numbers of new workers
- 1.7.3. Store sales weekdays during lunchtime
- 1.7.4. Store sales weekdays between 5-6 pm
- 1.7.5. Loyalty card use
- 1.7.6. Attendance at lunchtime special events
- 1.7.7. Attendance at after-work special events

2. Arts, cultural, and entertainment (ACE) district

2.1. Overview

There is an enormous need for new arts, cultural and entertainment activity in downtown Carlsbad. This theme was reinforced in many of the surveys and interviews we conducted. Although downtown Carlsbad has established a market niche as a place to dine out and browse, there are relatively few other evening activities available. It is imperative that, in order to solidify the downtown's role as the city's premiere arts, cultural and entertainment district, the number and types of events available be expanded.

Arts, cultural and entertainment activities do not just involve "formal" arts. ACE activities also involve unexpected experiences – interactive storefronts; "found" art; music wafting from upper-floor windows; planned and spontaneous events. And, of course, shopping itself can be "entertainment", particularly when it involves exploring one-of-a-kind stores with distinctive identities that offer memorable experiences.

Our analysis found that downtown Carlsbad could reasonably absorb an additional \$28.2 million in gross sales of arts and entertainment-related products and services, of which the bulk would be in the form of additional restaurant receipts and of which about ten percent would be absorbed by existing businesses. Our

analysis was conservative, based on the assumption that the number and type of performing arts venues available in downtown Carlsbad would not change in the near future. However, with construction of a small multi-screen movie theatre or a larger performance venue within the district, for example, new ACE-related sales could be significantly higher.

2.2. Key objectives

- 2.2.1. Actively position downtown Carlsbad as the center of arts activity in the city (through events, advertising, and 'buzz').
- 2.2.2. Create a sense of serendipity and discovery throughout the district.
- 2.2.3. Provide facilities to house an expanded range of film, theatre, dance, music and other arts.

2.3. Business possibilities

- 2.3.1. Several additional locally owned restaurants, particularly incorporating arts/entertainment
- 2.3.2. A 2-3-screen movie theatre featuring both first-run and specialty films
- 2.3.3. A performance center capable of accommodating audiences of 500 and events requiring rehearsal space, scenery/costume storage, rigging and equipment beyond the capacity of the Carlsbad Village Theatre
- 2.3.4. A small, upscale bowling alley
- 2.3.5. Custom-made/craft furniture, home furnishings, clothing, jewelry, paper products, toys/games, etc.
- 2.3.6. Highly specialized retail businesses (*see 'Specialized Retail Clusters', below*)

2.4. Marketing considerations

- 2.4.1. Animate storefronts and window displays. Possibilities might include exhibits or displays activated by motion sensors or cellphone calls or displays by area music and video artists.
- 2.4.2. Design and launch one or two annual signature promotional events. Events should tap into Carlsbad's heritage, if possible; reinforce one or more of the downtown's three major retail development strategies;

and provide a venue for participation by a broad network of local organizations. Some possibilities:

- *Oktoberfiesta*, a fall street festival melding Carlsbad's German and Hispanic heritage
- *Agua Hedionda*³, a mineral water festival

- 2.4.3. Develop a program of "everyday ephemera". Small-scale, (usually) interactive public art stimulates creativity and interest and creates a lasting impression. For example, an unknown artist in Ann Arbor, Michigan has installed '[fairy doors](#)' at the bottoms of buildings throughout the community (but primarily in the downtown area). Frederick, Maryland installed three small trompe l'oeil murals featuring people in Frederick's history on downtown buildings through its "[Angels in the Architecture](#)" program. A neon artist in New York installed street crossing signals in a commercial neighborhood, replacing 'Walk/Don't Walk' messages with 'To Be/Not To Be' and other literary messages. Artists and poets in Berlin have teamed to paint poems on the blank, exposed sides of commercial buildings.

2.5. Key locations⁴

- 2.5.1. Southeast subdistrict
- 2.5.2. State Street
- 2.5.3. Key intersections throughout the district (Grand + State; Carlsbad Village Drive and Carlsbad Blvd)

2.6. Key actions

- 2.6.1. Create a program of ephemeral art and experiences in downtown Carlsbad.
- 2.6.2. Develop guidelines for business hours (depending on business type and subdistrict).

³ Agua Hedionda – Stinking Water – was the name given to a Carlsbad-area lagoon by explorer Don Gaspar de Portola's troops in 1769.

⁴ A note on synchronization with the Carlsbad Village redevelopment concept drafted by Calthorpe Associates in 2003: While we support most of the proposed development concepts outlined in Calthorpe Associates' redevelopment concept, we believe a new multi-screen theatre would be more appropriate for the southeast subdistrict, in the vicinity of Oak and State Streets, than for the northwest subdistrict, primarily because of the southeast subdistrict's proximity to beach hotels and because of the need to minimize noise and evening traffic in the northwest subdistrict if new condominiums and apartments continue to be developed in this subdistrict.

- 2.6.3. Create a downtown activities website (separate from that of CVBA, the Chamber, the City, or any other organization) that publicizes activities, events, business hours, and other information in a lively, dynamic format and that is updated daily (see, for example, MidCityLive.com).
- 2.6.4. Launch 1-2 annual signature events.
- 2.6.5. Animated store windows.
- 2.6.6. Within 8-10 years, develop a theatre, or mixed-use complex, to augment the capacity of the Carlsbad Village Theatre.

2.7. Benchmarks

- 2.7.1. Attendance at special events and festivals
- 2.7.2. Restaurant receipts
- 2.7.3. Improvements in public perception of the district⁵

3. Specialized retail clusters

3.1. Overview

Downtown Carlsbad is already known for several nascent retail clusters – restaurants and antiques, for example. Specialized clusters help define or reinforce a district's personality, giving it a distinctive market identity and providing it with a degree of market buoyancy.

3.2. Key objectives

- 3.2.1. Strengthen and expand downtown Carlsbad's two strongest existing retail clusters (restaurants and antiques/used merchandise).
- 3.2.2. Create at least two additional retail clusters over the next five years.

3.3. Cluster/business possibilities

- 3.3.1. Clusters:

⁵ Obtain information by repeating the late 2005 consumer intercept survey every 30-36 months.

- Energy-efficient and environmentally-friendly housewares
- Unique home furnishings (imported, handcrafted, vintage/refurbished)
- Unique clothing (e.g., “clothing by the pound”)
- Specialty food

3.3.2. Unique, freestanding businesses (not necessarily part of a cluster of related businesses):

- Bicycle sales, rentals and repairs (featuring Elektra bikes)
- Segway rentals and sales
- Vintage and unique eyeglass frames
- Vintage/refurbished/reengineered kitchen appliances
- Vintage dashboard restoration and fabrication
- City store + Carlsbad logo merchandise
- Custom wetsuits
- Custom triathlon suits
- Home beer brewing and winemaking supplies
- “Build a Bear”
- Model rockets (featuring Blacksky products)
- Golf merchandise (featuring products from Callaway and other local golf equipment manufacturers)

3.4. Marketing considerations

3.4.1. Encourage activities and events in specialized businesses and business clusters (classes, demonstrations, competitions, etc.) and promote these on the downtown activities website.

3.4.2. Use multichannel retailing (web-based sales, catalog sales, wholesale sales to other retail businesses, etc.) to augment in-store sales.

3.5. Key locations

3.5.1. State Street subdistrict (restaurants, galleries, vintage merchandise)

3.5.2. Coaster Station subdistrict (services for commuters, residents, and district workers)

3.5.3. Beach zone subdistrict (golf merchandise, city store/logo merchandise)

- 3.5.4. Southeast neighborhood subdistrict (bike rentals, Segways, custom wetsuits, custom triathlon suits, clothing by the pound, vintage dashboard restoration)
- 3.5.5. Farmers' market subdistrict (specialty food)
- 3.5.6. Carlsbad Village gateway subdistrict (home brewing supplies, energy-efficiency and energy-generation products, unique home furnishings)

3.6. Key actions

- 3.6.1. Review market analysis with current business owners and discuss opportunities to create new product lines.
- 3.6.2. Ensure that a range of business development resources and tools are in place and available to current and prospective business owners.
- 3.6.3. Review market analysis with district property owners and discuss business/tenant possibilities.

3.7. Benchmarks

- 3.7.1. Increases in retail sales receipts
- 3.7.2. Increases in visitation, pedestrian traffic counts

Notes on key components

Strengthen existing businesses

The first step in successful downtown business development programs is *always* strengthening existing businesses. Increasing sales in existing businesses boosts market resilience and often creates opportunities for businesses to expand into additional locations and/or to spin off a strong product line into a new, freestanding business within the district.

Downtown retail businesses can almost always increase sales by creating a mechanism for ongoing communication with existing customers (email, newsletters, occasional postcards, etc.), adding new product lines, creating online storefronts, offering in-district deliveries, and updating window displays and in-store visual merchandising, among other things. Artisans and small manufactures within the district might increase sales and visibility by placing merchandise in existing downtown businesses (either renting a small amount of square footage within existing downtown businesses or wholesaling or consigning merchandise to the host business owner). Retail businesses can help generate traffic for one another by cross-merchandising and cross-marketing with other district businesses – offering a free cup of coffee from a downtown coffee shop with the purchase of something at a non-food store, for example.

Cultivate new, independently owned businesses

Developing new independent businesses that meet the objectives of the district's business development plan is a challenging process. We recommend focusing on recruiting entrepreneurs rather than on recruiting businesses. Many of the most successful and innovative businesses in historic downtowns today are driven by owners with strong entrepreneurial skills and vision. Given the ability of the internet to augment local sales for downtown retail businesses, it is quite possible – and becoming more common – for districts to develop profiles of the sorts of specialized retail businesses they would like to see in their districts (both to meet some local needs and to help enhance the overall personality of the district). Successful entrepreneurs can then implement the businesses profiled. Rather than looking exclusively for businesses that already exist (somewhere) and encouraging them to relocate or open an additional location in Carlsbad Village, we recommend looking for talented entrepreneurs (including existing Village business owners) willing to craft unique businesses that fit Carlsbad's specific market opportunities.

To facilitate this, we recommend that the City, Chamber, CVBA and other key revitalization partners ensure that the following tools are readily available and that existing businesses, and everyone involved in business development within the community, are familiar with them:

- A business assistance team that can offer confidential, *pro bono* advice and guidance (legal, accounting, financing, merchandising, marketing) to start-up and expanding businesses
- Start-up capital for retail and service businesses
- Expansion capital for retail and service businesses
- Ongoing training programs for business owners (including both programs that involve direct training as well as those that involve passive training through publications, websites, summary reports, etc.)
- Assistance with business succession (sales, retirements)

We also recommend that the key entities involved in the district's development, management and marketing talk with district property owners and realtors about the overall business development goals for the district. Unlike in a shopping mall, where a single entity owns or manages the entire property, older and historic downtowns have many owners, and each one makes independent leasing decisions. By explaining the overall business development goals for the district to its property owners, and by actively working to identify businesses interested in expanding or opening in the district, the revitalization initiative's partners can dramatically improve the district's business development and placement activities.

Place businesses in locations that encourage movement throughout the district and that strengthen synergy between businesses.

In general, "destination" businesses should be placed in high visibility areas and should be used to provide exposure and foot traffic for other businesses. "Comparison" businesses – businesses that sell things for which people like to compare several styles or brands before making a purchase – should be clustered relatively close together so that shoppers can see that they have several store choices available. "Convenience" businesses should be placed near major hubs – parking lots or garages, for example, or major employment centers.

Create 'everyday ephemera' to enliven the environment and the experience of visiting downtown Carlsbad.

Shopping is quickly becoming one of Americans' favorite forms of entertainment, and retail venues that blend entertainment with shopping are

increasing sales more rapidly than those that don't. Carlsbad has an active arts community that appears eager to be involved in downtown Carlsbad's growth and development, representing a significant asset for the district. We suggest that, in addition to whatever public art the community might consider for downtown Carlsbad, it also incorporate 'everyday ephemera' into the district – animated storefronts, outdoor movies, whimsical fixtures, and other things that subtly attract attention, provide casual entertainment, and create fun memories. We have cited several examples in this report, as well as several in *Retail Market Analysis for Carlsbad Village*, and encourage Carlsbad's arts community to explore a wide range of concepts.

Cultivate ongoing customer relationships

Downtown Carlsbad benefits from a steady flow of tourists, and even though a tourist might only visit Carlsbad once, each one represents a potential long-term customer for the district's businesses. Personal contact strongly influences shoppers' decisions about where to buy things, and the internet has made it easy for business owners to stay in touch with customers. Each person who visits a business in downtown Carlsbad represents a potential long-term customer for that business, even if he or she never visits the business in person again. Businesses – particularly independently owned businesses – can maintain ongoing profitable relationships with one-time visitors through mail, phone calls, websites, and other venues. A few examples:

- A shoe store owner in Iowa calls a core list of several hundred distant customers every six months or so to ask about their shoe needs, tell them about new products in which he thinks they might be interested, and occasionally sends loyal customers shoes to try out, with no obligation to keep them.
- A bookstore owner in Arkansas who specializes in signed, first-edition books maintains an extensive database of every customer who has ever bought a collectible book from her, contacting customers by hand-written card when she obtains a book in which she thinks they might be interested.

Adapt store hours to better meet customer needs

The majority of retail purchases are now made on weekends and weekday evenings. Yet, few of downtown Carlsbad's businesses are open later than

6:00 pm, and a surprising number are not open on Sundays. This is one of the factors most limiting to the district's success⁶.

As we pointed out in *Retail Market Analysis for Carlsbad Village*, offering later hours does not necessarily mean offering *more* hours; it could simply mean shifting store hours from nine-to-five to eleven-to-seven or noon-to-eight. We strongly encourage downtown retailers to make this shift, and we encourage downtown property owners to begin including clauses in their leases dictating specific store hours (this is a routine practice in shopping malls).

Animate storefront windows and improve storefront window displays

For several reasons, we believe it is important that businesses in downtown Carlsbad animate and improve their display windows:

- When people move through a commercial district (whether it's a shopping center or an older downtown), they unconsciously interpret empty or blank storefronts to mean that the retail district is ending. By offering engaging storefront window displays, businesses can help strengthen the entire district (in addition to enticing shoppers into their businesses).
- Given the importance of downtown workers and residents to downtown Carlsbad's commercial economy, it is imperative that window displays remain fresh. Numerous studies have shown that many retail businesses can boost sales by as much as 15 percent by simply changing window and in-store displays.
- Animated, lively window displays can help non-retail businesses (like professional offices) blend into the retail streetscape and encourage shopper movement through the district.
- By leaving storefront display window lights on into the late evening, business owners can improve ambient lighting along the district's sidewalks, encouraging movement through the district and making it feel safer.

There are many ways to animate storefront displays. A motion sensor might activate a video. A toy store might place a cutaway ant farm against the glass. A clothing store might put a small fan in a window, simulating an ocean

⁶ Not all retail businesses need to maintain evening hours, of course – it would make little sense for a retail business whose customers were almost exclusively downtown offices to maintain evening hours, for example. But, for most businesses, it is a necessity.

breeze blowing a mannequin's clothing. A kebab restaurant might have a grille in the window, with a cook spinning the skewers and interacting with pedestrians. A metal foundry might have some stage of the production taking place in the window. A yarn shop might consider putting a spinning wheel in the window, with staff occasionally using it. The key points are to create a sense of movement and to encourage pedestrians to stop and look.

Incorporate entertainment into existing businesses

Like arts, entertainment should be woven into the fabric of ongoing business activities within the district, rather than reserved only for special events. In *Retail Market Analysis for Carlsbad Village*, we cited several examples of businesses that have successfully incorporated entertainment into their ongoing operations. These included:

- A restaurant in a New Jersey seaside town hires aspiring singers as servers. When a customer asks what flavors of ice cream the restaurant offers for dessert (prompted by a leading phrase in the menu), the servers quickly assemble at the table and sing the ice cream menu in four-part harmony, to the tune of Handel's "Halleluejah" chorus.
- An art gallery in a small town in Washington nails bicycle reflectors in the shape of various objects to a blank exterior wall of its building, encouraging motorists to flash their headlights onto the wall to see the hidden objects outlined there.
- A clothing store – Stop the Shop – in a London suburb built its walls around the slowly- revolving platform base of an old carousel on which most of its merchandise is displayed. When a customer wants to enter the store, s/he pushes a button to literally stop the shop from revolving.

We believe downtown Carlsbad could be significantly enlivened by incorporating entertainment into ongoing business activities.

Focus on streetscapes

A number of people who participated in the intercept and community surveys commented on the need for storefront renovations downtown. While many downtown buildings are quite attractive and well maintained, there are also many that need better maintenance or that need renovation. The City offers façade improvement incentives and design guidelines, and these are valuable resources. We also encourage property and business owners, and the entities working on the district's development and management, to focus on the

appearance of overall streetscapes to help ensure that improvements to individual buildings reinforce the important design characteristics of the overall block and subdistrict.

Websites

There is an important distinction between websites designed for organizations and websites designed for visitors. Business and property owners may be interested in the operations of an organization or agency – but visitors and other shoppers just want to quickly access information about businesses, events, hours, parking, and other district features. We feel it is therefore important that historic and older downtowns create lively, engaging websites for visitors that strip away organizational references and present only the information in which a visitor is most interested. While such a website might be managed primarily or wholly by an organization or agency involved in the district's management, the organization's or agency's 'brand' should not be visible on the shoppers' website.

Management – and collaboration

As we discussed in *Retail Market Analysis for Carlsbad Village*, there is *no single entity* with responsibility for all the district's revitalization, development and management needs; it is, and must be, a shared responsibility. We believe that the best management structure for downtown Carlsbad will be one that provides a neutral venue for collaborative planning and for then assigning and coordinating responsibilities for individual tasks according to each collaborator's particular skills, resources, network, and knowledge, thus leveraging the district's and the community's human and organizational capital as fully as possible. We believe that the Carlsbad Village Business Association, the City, and the Chamber, along with several other organizations, all have vital roles to play in this process and that the active participation of each of these entities is essential to the district's success.

We therefore recommend that the district create an independent entity with representation from each of these key partners, and that this entity provide the neutral venue needed for planning, with the partners then assuming responsibility for implementing the specific activities for which they have the best skills and resources. We recommend using the planning framework of the Main Street program (either with or without official designation as a "Main Street Community"), with funding for the program's operation generated *primarily* by a business improvement district and with additional support (at least initially) from the major partners, to coordinate the individual activities

of district stake holders in a unified, comprehensive, and long term revitalization and management agenda.

Next steps

The consultants welcome feedback, comments and thoughts on this report, on *Retail Market Analysis for Carlsbad Village*, and on the overall process of revitalizing, developing and managing downtown Carlsbad. The final phase of our assignment will involve creating an implementation plan, based on input from and commitments made by the revitalization initiative's major partners, from district business and property owners, and from others involved in downtown Carlsbad's development. Please feel free to email your ideas to Kennedy Smith at kennedy@cluegroup.com.

Sources of information

Our primary sources of information for *Retail Market Analysis for Carlsbad Village* were the 1990 and 2000 *Census of Population*; 1992, 1997 and 2002 Economic Census (including the *Census of Retail Trade*; *Census of Accommodation and Food Services*; *Census of Arts, Entertainment and Recreation*; *Census of Information*; *Census of Health Care and Social Assistance*; and *Census of Other Services*); ESRI, the 2004 and 2005 *Consumer Expenditure Survey*; data compiled for us by the City of Carlsbad's Redevelopment Office; *The Dollars and Cents of Shopping Centers*; various publications by SANDAG (*San Diego Region Public Opinion Survey 2005*), the California State Board of Equalization, California Department of Finance, California Statistical Abstract, and various articles, books, and reports, including "City of Carlsbad Public Opinion Survey Report" for 2000-2005, "San Diego Regional Economic Prosperity Strategy" (1998, San Diego Association of Governments), and Calthorpe and Associates' physical plan for downtown Carlsbad. For this report, we also relied on business and property inventories provided to us by the City of Carlsbad and on a variety of online directories.

Disclaimer

Retail market analyses, their components (such as retail sales gap analyses) and derivative business development plans provide important guidance on how the area's commercial centers should, theoretically, be able to perform and on the sales and rent levels businesses should be able to achieve. However, a number of factors affect the actual performance of retail businesses and commercial centers, including the skills of the business operator, level of business capitalization, quality of the physical environment, changes in overall economic conditions, district marketing programs, and numerous other factors. The information and recommendations in this sales gap analysis report are intended to provide a foundation of information for making retail development decisions in Carlsbad, but they do not and cannot ensure retail success.

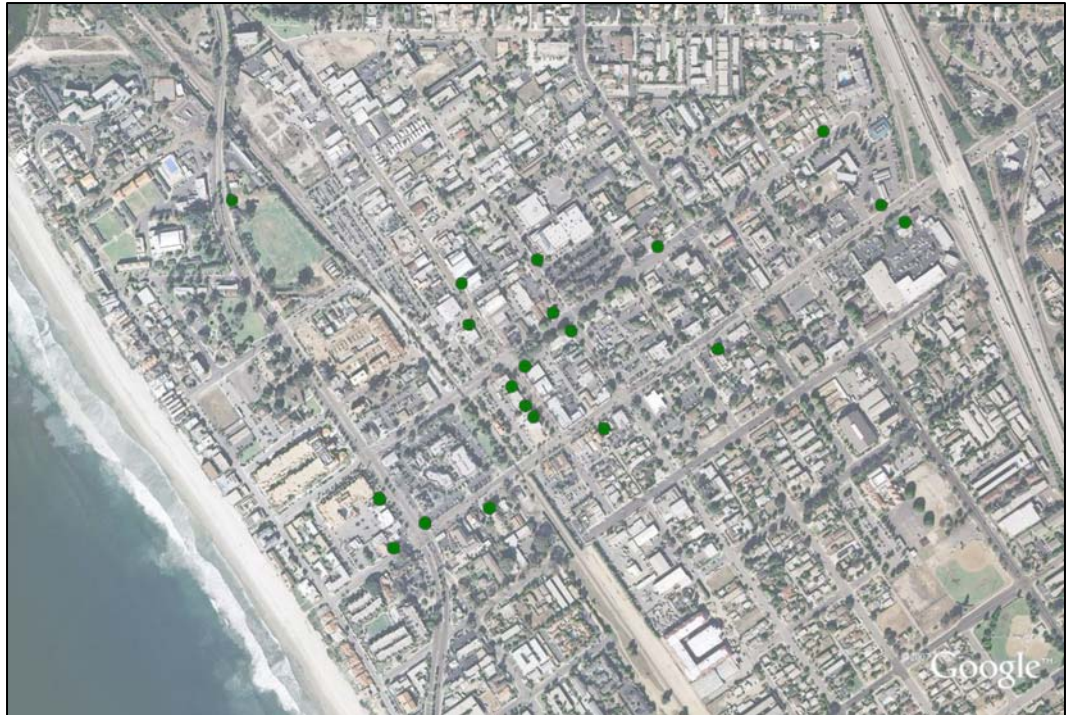
This report's findings, conclusions, and recommendations are solely those of the consultant and should not be assumed to represent the opinions of the City of Carlsbad or any other party.

Appendix 1: Locations of existing businesses

Retail businesses: Strong concentrations along Carlsbad Boulevard and State Street, with additional businesses scattered throughout the district.



Restaurants: Strong concentration on State Street north of Carlsbad Village Drive, with additional restaurants along Carlsbad Village Drive and scattered throughout the district.



Professional services are clustered mostly north of Carlsbad Village Drive and east of Carlsbad Boulevard.



Personal services businesses are clustered along the district's north-south (State and Roosevelt Streets) and east-west (Carlsbad Village Drive) axes.



Like professional services, **health services** are concentrated north of Carlsbad Village Drive and east of Carlsbad Boulevard, with a few scattered outside this quadrant of the district.

